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Unwired Planet v Huawei: A Seminal SEP/FRAND decision from the UK

Peter Picht*

With its decision in *Unwired Planet (UWP) v Huawei*, Birss J has not only handed down the first major ruling on SEP/FRAND issues in England but also decided a case that poses a number of key questions in this area of the law. Well aware of this, he has drafted a thorough and extensive opinion that is likely to have a considerable impact on the development of EU law and beyond.[1] *Inter alia*, the decision discusses the legal nature of an ETSI FRAND declaration; the question whether "FRAND" is a range or a single set of licensing conditions; the procedural component of FRAND; the existence of a qualified "unFRANDliness"-threshold below which competition law is not triggered; the sequencing of negotiation and litigation over FRAND licences; hard-edged vs. soft-edged discrimination; the role of "comparables" for calculating FRAND; and the anticompetitiveness of offering a mixed portfolio of SEPs and non-SEPs.

I. Facts of the case

The overall dispute at issue can be separated into – so far – six trials. Three "technical" trials have been completed, each dealing with one patent and relating to technical issues such as validity, infringement and essentiality. Another trial concerned the only non-SEP in the portfolio. The non-technical trial constituting the subject-matter of the present decision relates to competition law as well as FRAND issues and involves patents which are (allegedly) standard-essential patents (SEPs) according to the ETSI IPR Policy. If necessary, there may be a further trial dealing with additional questions including "pass through licences". When the lawsuit was brought, claimants Unwired Planet Int. and Unwired Planet LLC (hereinafter also: claimant/Unwired Planet/UWP) were the proprietors of European patent EP 2 229 744 whose standard-essential character has been confirmed; EP 2 119 287 and EP 2 485 514 which have been revoked; EP 1 230 818 whose standard-essential character has also been confirmed; and EP 1 105 991 as well as EP 0 989 712 being the subject of two further trials.[2] The results of the first three technical trials are under appeal to the Court of Appeal, but defendant Huawei's first appeal, concerning EP 2 229 744, has already been rejected.[3] Further technical trials were suspended. Unwired Planet's business model is the licensing of patents to companies who make and sell telecommunications equipment such as mobile phones and infrastructure. All these patents were originally granted to Ericsson and are part of a patent portfolio the claimant obtained from Ericsson, purportedly encompassing patents essential to various ICT standards. The defendants in the overall dispute (in particular Huawei, Google and Samsung) produce and market GSM, UMTS and LTE based devices.

In 2016, Unwired Planet LLC was acquired by PanOptis, whereas Unwired Planet Inc. changed its name to Great Elm Capital Group Inc. The claimant's contacts with the defendants started in October 2012 when it approached defendant Samsung. Under the cover of a Non-Disclosure Agreement (NDA) claim charts for the SEPs were provided on 17 December 2012 along with information about previous litigation. Subsequently, two meetings took place in May and August 2013. By October 2013, further meetings with Samsung were arranged. In June 2013, the claimant also approached defendant Huawei (hereinafter: defendant/Huawei), which informed the claimant's advisor Evercore by letter on 22 August 2013 that it was not willing to acquire Ericsson-derived infrastructure patents. In subsequent letters dated 13 September 2013 and October 2013 addressed by the claimant to Huawei's board, the latter was invited to enter into licensing negotiations and ultimately to reach an agreement, but no licence was concluded. Huawei did not deny having received the letters, but the claimant made no effort to follow them up. On 25 November 2013, the claimant contacted the defendant's IP

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1 However, it is an interesting question what effect a potential abrogation of EU law in the United Kingdom in the course of "Brexit" would have on the binding force of the decision for both England and the rest of Europe.

2 *Unwired Planet v Huawei*, EWHC, HP-2014-000005, 5 April 2017 (hereinafter *Unwired Planet v Huawei*), para. 2.

3 *Unwired Planet v Huawei*, EWCA, A3-2016-0157, 12 April 2017.

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department which responded promptly. On 13 January 2014, the defendant Huawei asked the claimant for claim charts which were produced on 16 January 2014 under an NDA and included draft terms. On 29 January 2014, Huawei proposed different NDA terms the receipt of which was confirmed by the claimant on the same day. Until 10 March 2014, when the litigation started, there was no further contact between the parties. After the beginning of the proceedings, in April 2014, the claimant made an open offer to the defendants ("April 2014 offer") to license its entire global portfolio, including SEPs and non-SEPs. The defendants refused to obtain a licence because they contended, on the one hand, that the patents were not infringed, not essential or invalid and, on the other hand, that the claimant's licensing offer was not FRAND. In addition, the defendants raised defences and counterclaims based on violations of competition law. In particular, they alleged a violation of Art. 101 TFEU regarding the Master Sale Agreement (MSA) through which the claimant had acquired patents from Ericsson,[4] as well as a violation of Art. 102 TFEU (abuse of a dominant position).[5] In July 2014, the claimant made a second offer ("July 2014 offer") limited to the SEPs in the portfolio, which was also rejected by the defendants due to its non-FRAND character. The royalty rates in the July 2014 offer were global rates of 0.2% for 4G/LTE and 0.1% for other standards, with the percentages relating to the average selling price (ASP) for mobile devices and the revenue for infrastructure. Moreover, the offer contained caps should the royalty expressed as a share of the ASP exceed a predefined level. Subsequent to directions of the Court in June 2015, both sides submitted offers containing detailed licensing terms.[6] The claimant proposed a worldwide SEP portfolio licence, a UK SEP portfolio licence and per-patent licences for any SEPs the licensee may choose. The royalties claimed for the per-patent licences or for a UK portfolio licence were higher than the global rate on offer. The defendant Huawei, in turn, submitted a proposal for a per-patent licence limited to the UK SEPs, including rates for all five SEPs together of 0.034% for LTE, 0.015% for UMTS and zero for GSM.

In summer 2015, defendant Google settled and defendant Samsung did the same in summer 2016.[7] As a consequence, Huawei discontinued a significant part of its counterclaims and certain controversial terms – in particular the clause on applicable royalty rates – were removed from the MSA. Since then, the litigation summarized here has only involved Unwired Planet and Huawei.

In February 2016, the claimant and the defendant exchanged open correspondence concerning their lack of progress in concluding a FRAND licence.[8] In August 2016, the claimant made a new offer comprising the same terms but lower rates. The global SEP portfolio rate for 4G/LTE in this offer was 0.13%. The corresponding rates for GSM /UMTS were 0.065%. For a UK SEP portfolio licence the proposals were 0.42% (LTE) or 0.21% (GSM/UMTS) for infrastructure and 0.55% (LTE) or 0.28% (GSM/UMTS) for mobile devices. The defendant's offer remained on a per-patent basis, including proposed rates of 0.036% (LTE), 0.015% (UMTS) or zero (GSM) for infrastructure and 0.040% (LTE), 0.015% (UMTS) and zero (GSM) for mobiles devices.[9] On 11 October 2016, the defendant submitted another licensing offer, amending the per-patent royalties and proposing a licence for the entire UWP UK SEP portfolio, including rates of 0.061% (LTE), 0.046% (UMTS) and 0.045% (GSM single mode) for infrastructure and 0.059% (LTE), 0.046% (UMTS) and 0.045% (GSM single mode) for mobile devices.[10] The claimant's proposal of August 2016 and the defendant's proposal of October 2016 represent the parties' positions in the trial.

II. Court's reasoning

1. FRAND issues

a) The purpose of the FRAND declaration

Birss J starts by stressing that it is the underlying purpose of the FRAND concept to strike a fair balance between the interests involved: an appropriate return on innovation should be secured for the patentee, avoiding

4 The Master Sale Agreement (MSA) was concluded in 2013 between claimant and Ericsson. Pursuant to the agreement, 2'185 patents and applications were transferred to claimant from Ericsson via Cluster LLP. The MSA entitled Ericsson to a share in the patent royalties and contained the option to transfer a substantial number of additional patents to claimant in the future. With a number of defenses that form the focus of a different prong of the overall litigation, defendants inter alia contend that the MSA generally failed to transfer the FRAND commitments made by Ericsson towards ETSI to claimant, because (a) it does not require claimant to give any FRAND undertaking, (b) even if there were such an obligation, it could not be enforced by third parties and (c) the MSA does not prohibit claimant from obtaining licensing terms more favorable than those Ericsson could obtain. Furthermore, defendants allege that claimant and Ericsson could, as an effect of the patent portfolio division brought about by the MSA, demand excessive royalties. Moreover, it is contended that particular clauses of the MSA have the object or potential effect of restricting competition under Article 101 TFEU because they define minimum royalties and exclude alternative royalty schemes. Cf. on all of this *Unwired Planet v Huawei*, EWHC, HP-2014-000005, 2 October 2015, 19 November 2015, 23 November 2015, 7 December 2015, 16 December 2015, 28 January 2016, 29 January 2016, 12 February 2016, 22 March 2016, 29 April 2016, 27 May 2016.

5 *Unwired Planet v Huawei*, para. 5.

6 *Unwired Planet v Huawei*, para. 81.

7 *Unwired Planet v Huawei*, paras. 9 et seq.

8 *Unwired Planet v Huawei*, para. 81.

9 *Unwired Planet v Huawei*, paras. 12 et seq.

10 *Unwired Planet v Huawei*, para. 14.

patent hold-up. On the other hand, it is necessary to prevent a patent "hold-out" committed by patent implementers unwilling to obtain a licence.[11]

b) Validity of the FRAND declaration under French law

The court clearly states that the ETSI FRAND undertaking given by claimant, which is not a member of ETSI, is enforceable by third parties (such as the defendant) under French law, the law governing the ETSI IPR Policy (Art. 12) as well as the IPR declaration form. Taking into account the text of Art. 3.1.2 of the ETSI Guide on IPRs, the offer made by ETSI in the IPR declaration form, including all relevant contractual terms and identifying the conditions under which ETSI will include IPRs in its database on SEP, is accepted by the IPR holder when the latter completes and signs the form. The result is a contract for the benefit of third parties between ETSI and the IPR holder.[12] In particular, the declaration is sufficiently clear and substantial so as to impose obligations on both ETSI and the declarant.[13] Hence, the declaration is not just a way of providing information to ETSI and the market, but, rather, a formal commitment capable of binding the declarant[14] and requiring him to grant standard implementers licences on FRAND terms.[15] However, the FRAND undertaking neither brings about a licensing contract immediately nor can it be enforced in such a way as to legally compel either party to enter in a contract against their will. Instead, "[i]f a patentee refuses to enter into a licence which a court has determined is FRAND then [. . .] a court can and in my judgment should normally refuse to grant relief for patent infringement. The converse applies to an implementer who refuses to accept a FRAND licence. In that case the normal relief for patent infringement should normally follow".[16]

c) FRAND as a "range" or a "dot"?

The court also addresses the intensely disputed question of whether a range of licensing terms may qualify as FRAND or whether only one single set of conditions, in particular one single royalty rate, can truly be FRAND.[17] The assumption of a range of FRAND conditions may lead to the so called *Vringo*-problem,[18] a situation in which the offers presented by the parties differ but are both FRAND. Although this outcome might, says Birss J, be satisfactory with respect to competition law and the contractual FRAND undertaking, the contradiction between the offers may have to be resolved by the grant or refusal of an injunction. This, in turn, can cause an "international coercion" effect if a court grants the injunction in its territory on the basis that a putative licensee has not taken a licence although the reason the licensee had no licence was that the only terms on offer were a global licence which the licensee did not want.[19]

Hence, if there can be a FRAND range, then in order to adjudicate that a particular rate is the "right" rate in the circumstances, either a further principle needs to apply aside from FRAND or the parties would have to agree to accept whatever rate the court chooses in the exercise of its equitable discretion.[20] The claimant argued that the patentee's offer should win in this situation in the sense that the court should grant an injunction against the defendant, because by making a FRAND offer it had discharged its obligations under the FRAND undertaking. The defendant, conversely, argued that the injunction should be refused because the patentee would not accept the licensee's FRAND terms. Since the FRAND system is for the benefit of the implementers allowing them to access the technology, the latter terms should however be accepted.[21] The court, however, comes to the conclusion that a single set of FRAND terms (including the rate and all other terms) for a given situation is the workable concept to be pursued. At first sight, problems may arise in terms of competition law because, if only one set of terms in given circumstances can truly be FRAND and if FRAND also represents the line between abusive and non-abusive conduct, then every agreed licence in the entire industry is at a serious risk of being contrary to competition law. However, while competition law considerations may well indicate why a rate is not FRAND in general and as a matter of principle, for competition law to be relevant it will be necessary but not sufficient for a rate not to be the true FRAND rate.[22]

Furthermore, in the opinion of the court, the assumption of a single set of FRAND terms does not create legal uncertainty by allowing a party who had

11 *Unwired Planet v Huawei*, paras. 92, 95.

12 *Unwired Planet v Huawei*, paras. 112 et seq.

13 *Unwired Planet v Huawei*, paras. 115 et seq., 123 et seq.

14 *Unwired Planet v Huawei*, paras. 130 et seq.

15 *Unwired Planet v Huawei*, paras. 133 et seq.

16 *Unwired Planet v Huawei*, paras. 140 et seq. Whether the FRAND undertaking could be regarded as constituting an "acte juridique unilatéral" was left undecided by the Court.

17 *Unwired Planet v Huawei*, para. 147; cf. also LG Düsseldorf, 31 March 2016 – Case No. 4a O 73/14, paras. 256 et seq.; LG Düsseldorf, 31 March 2016 – Case No. 4a O 126/14, paras. 250 et seq.

18 *Vringo v. ZTE*, EWHC, HC-2012-000076, 28 November 2014.

19 *Unwired Planet v Huawei*, para. 149.

20 *Unwired Planet v Huawei*, para. 150.

21 *Unwired Planet v Huawei*, para. 151.

22 *Unwired Planet v Huawei*, paras. 152-153.

agreed to licensing terms to later contend that the agreed terms were not FRAND because they differed from the sole "true" FRAND terms. Terms that are so far removed from FRAND as to contravene competition law would be unenforceable and have all the consequences of a breach of competition law. Below this threshold, however, the ETSI FRAND undertaking does not entitle either party to challenge agreed terms subsequently as being non-FRAND. If parties agree on licensing terms then their rights and obligations under the ETSI FRAND undertaking are discharged and replaced by their contractual rights under the licence.[23] Consequently, the court emphasizes that the importance of the FRAND undertaking will be "historic" for concluded agreements: once agreement has been reached, the contract must govern the rights and obligations of the parties.[24] Nor does the fact that putative comparable licences might show a range of rates and other terms as having been agreed between other parties falsify the idea that for a given situation there is only one set of true FRAND terms.[25] Accordingly, the court rejects the aforementioned arguments of the claimant and the defendant, stressing that the FRAND undertaking serves not only the interests of the patentee or the licensee but, rather, aims to strike a balance between both sides.[26]

Turning to the *process* of negotiating FRAND licences, the court states that the FRAND concept needs not only be a description of a set of licence terms but that it can also serve to describe the process by which a set of terms are agreed. A "FRAND approach" should be taken by both the patentee and the implementer to the negotiation of their licence. This does allow for starting offers leaving room for good faith negotiations. However, while the fact that an opening offer differs from the "true FRAND rate" is in compliance with a FRAND approach, extreme offers and taking an intransigent approach will contravene this principle.[27]

d) Court determination of FRAND rates or other FRAND terms

Taking into account existing court practice in other countries, Birss J considers courts to be capable of determining whether a given set of terms, particularly a given royalty rate, qualifies as FRAND. Arriving at a FRAND royalty, he explains, is not different conceptually from assessing what a reasonable royalty would be in a patent damages enquiry.[28]

In its analysis of how to assess FRAND, the court started by pointing out the relevance of comparable licences ("comparables") such as party evidence, other licences, court decisions or arbitral awards in other cases. In order to be selected as comparables in the present case, two criteria had to be fulfilled: (a) the licensor is the claimant or Ericsson; and (b) the licence is "recent". According to the court, it is however not necessary for the licensee to be the defendant or a similarly situated company. The reason is that it would be unfair and discriminatory to assess what is FRAND by reference to specific licensees, since their ability to resist hold-up or to hold-out might vary depending on their bargaining power.[29] More specifically, an approach that starts from a global rate as a benchmark and then adjusts this rate as appropriate was deemed a useful way of determining FRAND rates.

In terms of non-discrimination, the court distinguishes between "general" and "hard-edged" non-discrimination. The first aspect is part of an overall assessment of the inter-related concepts making up FRAND by which one can derive a royalty rate applicable as a benchmark. This rate is non-discriminatory because it is a measure of the intrinsic value of the portfolio being licensed, but it does not depend on the licensee. The hard-edged non-discrimination obligation, to the extent it exists, is a distinct factor that may lead to the reduction of a royalty rate or the adjustment of any licence term which would otherwise have been regarded as FRAND. It takes into account the situation of the particular licensee seeking to rely on it.[30]

e) Fundamentals on FRAND rates and telecommunication standards

As to FRAND royalty calculation in the ICT sector, the court identifies two main approaches, the "top down" approach and an approach based on an assessment of comparable licence rates. Cutting things rather short for the purpose of this summary, the "top down" approach starts from the appropriate total aggregate royalty burden for a given standard and then tries to determine the relative value of each licensor's patent portfolio as a share of the total relevant patent portfolio essential to that standard. If an indirect comparison with third party licences, such as Ericsson's licences that formerly included all the SEPs at issue, is conducted, a view has to be formed about the relative value of the claimant's portfolio against (the rate for)

23 *Unwired Planet v Huawei*, para. 155.
24 *Unwired Planet v Huawei*, para. 168.
25 *Unwired Planet v Huawei*, para. 157.
26 *Unwired Planet v Huawei*, paras. 158-161.
27 *Unwired Planet v Huawei*, paras. 162-163.
28 *Unwired Planet v Huawei*, para. 169.
29 *Unwired Planet v Huawei*, para. 175.
30 *Unwired Planet v Huawei*, para. 177.

Ericsson's portfolio.[31] The measures conducted by the claimant and the defendants in order to assess the value of the licensor's patent portfolio were based on categorizing and counting patents, a technique that treats all patents in a given category as being of equal value.[32] Ericsson, by contrast, referred in licensing negotiations to a technique seeking to "unpack" licences by evaluating a party's technical contribution to the pertinent standard as a way of valuing its portfolio. In the view of the court, this method might cause difficulties if a portfolio of patents is (as in the present case) acquired after the standard has been set.[33]

f) Application to the case at hand

According to the court, it is common ground that some kind of appropriate methodology is needed beyond simply adding up patents on the register or in the ETSI database. This is due, in particular, to the over-declaration problem, i.e. the fact that many more patents are declared to be essential than in fact are essential.[34] Negotiating rates by counting patents exacerbates this problem of over-declaration.[35] Furthermore, the court acknowledges that a specific weighing method is needed to deal with multimode devices, in particular handsets.[36]

Even though the HPA ("Huawei Patent Analysis") – a methodology proposed by the defendant – proved to be a "consistent yardstick", Birss J refrained from applying the method because the numbers derived from it would over-estimate the true numbers of essential patents. In other words, if a number derived from the HPA is used as the denominator in a fraction in which the numerator is a number derived by considering the patents in more detail, the result will understate the significance of the claimant's patents.[37] The court also considered the "modified numeric proportionality approach" (MNPA)[38] – a methodology applied by the claimant – as a reasonable attempt to derive information in order to assess the strength of a (LTE) patent portfolio as against the industry as a whole.[39] However, in relation to the strength of the claimant's patent portfolio, the court was convinced that both methods produce inaccurate results which either overestimate (claimant) or underestimate (defendant) the true values of the respective patents.[40] Therefore, it applied an adjusted version of the HPA.[41]

As to comparables, the court evaluates a number of them and takes them into consideration to varying degrees.[42] A particularly interesting passage in this part of the judgment deals with the relevance of comparables that result from a –disclosed – arbitral award:

> "Terms which were settled by an arbitrator are not evidence of what willing, reasonable business people would agree in a negotiation. In that sense a royalty in the licence is not probative of the market value of the portfolio under licence at all. Decisions of other courts may have persuasive value but that will largely depend on the reasoning that court has given to reach its conclusion. An arbitral award is at least capable of having a similar persuasive value, but reasoning supporting the terms in this licence is not available. [. . .] Without seeing the reasoning of the arbitrators one cannot see how they arrive at the conclusion they did".[43]

The requirement of non-discrimination was discussed in some detail, but ultimately it had only limited impact on the determination of FRAND licensing conditions: the court distinguishes between, on the one hand, a general non-discrimination requirement which is met by defining – as the court did – a benchmark for the determination of FRAND licensing conditions that is equally applicable for all implementers/potential licensees seeking the same kind of licence.[44] The so-called "hard-edged non-discrimination" criterion, on the other hand, requires the patentee to grant to an implementer licensing conditions it has already granted to another implementer, provided the two implementers are in a comparable position regarding the licensing.[45] In the view of the court, a hard-edged non-discrimination requirement is established by competition law, yet only where discrimination between implementers would amount to a distortion of competition.[46] Whether a hard-edged non-discrimination requirement also follows from the ETSI FRAND declaration alone is not made entirely clear. In any case, such a declaration-

31 *Unwired Planet v Huawei*, para. 180.
32 *Unwired Planet v Huawei*, para. 181.
33 *Unwired Planet v Huawei*, para. 185.
34 *Unwired Planet v Huawei*, paras. 200-201.
35 *Unwired Planet v Huawei*, para. 202.
36 *Unwired Planet v Huawei*, paras. 220 et seq.
37 *Unwired Planet v Huawei*, para. 361.
38 Cf. *Unwired Planet v Huawei*, para. 80.
39 *Unwired Planet v Huawei*, paras. 366-368.
40 *Unwired Planet v Huawei*, paras. 372-374.
41 *Unwired Planet v Huawei*, para. 376.
42 *Unwired Planet v Huawei*, paras. 382 et seq.
43 *Unwired Planet v Huawei*, para. 411.
44 *Unwired Planet v Huawei*, paras. 481 et seq., 503, also on the difference between the assessment of this type of non-discrimination and the exercise of assessing comparables in order to arrive at FRAND licensing conditions.
45 *Unwired Planet v Huawei*, paras. 485 et seq.
46 *Unwired Planet v Huawei*, para. 484.

based requirement would equally apply only where the discrimination was far-reaching enough to distort competition.[47] In this case, the defendant and the licensee Samsung were "similarly situated" enough for a non-discrimination requirement to apply, but the requirement was not neglected by the claimant in a way so as to distort competition.[48]

Aside from the royalty rate, the major disagreement between the parties concerned the scope of the licence.[49] The defendant is only willing to obtain a licence under the claimant's UK patent portfolio, whereas the claimant seeks to grant a worldwide licence and contends that it is entitled to insist on it.[50] Based on the assumption that the licensor has a worldwide portfolio for SEPs, Birss J generally considers the licensor's offer for a worldwide portfolio licence as unlikely to be abusive.[51] Looking at the facts of the case he considers, *inter alia*,[52] the claimant's portfolio to be large enough and to have sufficiently wide geographical scope for a licensor and a licensee acting reasonably and willingly to agree on a worldwide licence.[53] Therefore, a worldwide licence is, in this case, qualified as FRAND and as not being in violation of competition law, whereas the defendant's insistence on a licence limited to the UK is not FRAND.[54] However, considering comparable licences, a reduced rate should apply for sales in China. Since the claimant's portfolio is smaller in China and contains fewer relevant SEPs than the numbers used to set the benchmark rates above, a fair and reasonable approach would be to scale the rate with an additional factor determined by the numbers of relevant SEPs in China.[55] At the same time, Birss J makes it clear that it is not a workable approach to divide the world into too many categories in the sense that any other region of the world should have lower rates than the benchmark rate. But it could be a fair and reasonable approach to treat, for instance, three regions of the world differently.[56] Finally, the court elaborates on the other terms to be included in a worldwide licence[57] and on the terms which a UK-only portfolio licence should theoretically include.[58]

2. Competition law

The part of the decision concerning competition law focuses on Art. 102 TFEU, which is equivalent to Sec. 18 of the Competition Act 1998.[59] Against the wording of these provisions, the core issues are whether the claimant (1) enjoys a dominant position and, if so, then whether (2) it has abused that dominant position.[60]

a) Dominant position

In order to assess the existence of a dominant position, the court defines the relevant market as being the distinct market for licensing each SEP individually. With the market defined in that way, it is not surprising that a 100 % market share is attributed to the SEP owner and the defendant submitted that there was a presumption that such a party was dominant.[61] Yet the claimant, relying on the opinion of AG *Wathelet* in *Huawei v. ZTE* that a SEP does not necessarily amount to market dominance, submitted that the defendant's allegation of dominance insufficiently relied on this presumption only.[62] The presence of the FRAND undertaking and the countervailing buyer power held by potential licensees amounted, in the claimant's view, to sufficient grounds for rebutting the presumption in this case.[63] Birss J, however, rejected the claimant's position and criticized that the claimant should have advanced a positive case instead of merely pleading for non-admission of the presumption of dominance.[64]

aa) Countervailing buyer power. Furthermore, the court dismissed the points brought by the claimant on countervailing buyer power, mainly because it considered them too generic, imprecise, insufficiently substantiated and not in line with the EU Commission's decision in *Motorola*.[65] With regard to the *Motorola* decision, the court stated, in particular, that even if the alleged dominant entity cannot act independently vis-à-vis one particular large customer, if that entity can act independently of the customers in the market in general to the relevant degree, then it should be characterized as being in a dominant position.[66]

47 *Unwired Planet v Huawei*, paras. 501 et seq.

48 *Unwired Planet v Huawei*, paras. 488 et seq., 510 et seq.

49 *Unwired Planet v Huawei*, para. 523.

50 *Unwired Planet v Huawei*, para. 524.

51 *Unwired Planet v Huawei*, para. 535.

52 On a potential necessity of the portfolio to cover every state in the world, on tying issues, and on the relevance of claimant's litigation in various fora, cf. *Unwired Planet v Huawei*, paras. 545 et seq.

53 *Unwired Planet v Huawei*, paras. 538-543.

54 *Unwired Planet v Huawei*, para. 572.

55 *Unwired Planet v Huawei*, paras. 582-584.

56 *Unwired Planet v Huawei*, para. 587.

57 *Unwired Planet v Huawei*, paras. 593 et seq.

58 *Unwired Planet v Huawei*, paras. 596 et seq.

59 *Unwired Planet v Huawei*, paras. 627 et seq.

60 *Unwired Planet v Huawei*, para. 629.

61 *Unwired Planet v Huawei*, paras. 631 et seq.

62 *Unwired Planet v Huawei*, paras. 630-632.

63 *Unwired Planet v Huawei*, para. 633.

64 *Unwired Planet v Huawei*, para. 634.

65 *Unwired Planet v Huawei*, paras. 635 et seq.

66 *Unwired Planet v Huawei*, para. 643.

As a final consideration, Birss J stated that the SEP owner does not need to be in a dominant position "for the FRAND undertaking to bite," because the commitment is not imposed by competition law but by giving the undertaking to ETSI.[67]

bb) The FRAND undertaking. In the present case, there is no question that the claimant is subject to a FRAND undertaking. Birss J is willing to take the practical effect of this FRAND obligation into account when determining dominance:[68] SEP owners and putative licensees are both well aware that the FRAND undertaking obliges the owner to grant licences. Hence, the FRAND undertaking was considered to operate as a practical constraint on a SEP owner's market power.

> "In the relevant market FRAND does give buyers a form of market power they would not otherwise have which they can and do wield".[69]

cc) Hold-out. As to hold-out, the court, taking into account the relevant deliberations in the CJEU judgments *Huawei v. ZTE* and *Lundbeck*, stated that there is a clear potential on theoretical grounds for such a strategy to occur and that it can be an economically rational approach for a licensee to take.[70] It accepted the claimant's view that prior to commencement of the present proceedings no single manufacturer, aside from Lenovo, was willing to discuss the commercial terms of a licence. However, Birss J considered the evidence for hold-out to be less strong than the claimant had submitted.[71]

dd) Conclusion. In sum, the claimant was considered to be in a dominant position in the market for licences under the SEPs-in-suit.[72]

b) Abuse

As to an abuse of UWP's dominant position, four categories of conduct were on the table, namely (1) premature litigation against the background of *Huawei v. ZTE*; (2) unfair excessive pricing; (3) bundling / tying in SEPS and non-SEPs; and (4) "multijurisdictional bundling", an issue, however, that was not addressed in further detail by the court.

aa) Premature litigation. Since the claimant had made its 2014 licensing offer[73] after the proceedings had commenced, the defendant pleaded lack of compliance with the *Huawei v. ZTE* conduct obligations and thus necessarily an infringement of Art. 102 TFEU. The claimant, in turn, contended that the true principle to be derived from *Huawei v. ZTE* was less rigid and that its conduct complied with an appropriate reading of the CJEU's decision.[74] By reference to the wording of its claim, the claimant argued that no "action for a prohibitory injunction or for the recall of products" in the sense of *Huawei v. ZTE* has been raised in the UK proceedings, but a more subtle relief which is permitted under *Huawei v. ZTE* and requests an injunction only should the defendant refuse to obtain a FRAND licence and, hence, be deemed an unwilling licensee.[75]

The court agreed with defendant that the mere wording of a claim cannot be decisive in whether the claim is encompassed by *Huawei v. ZTE* as this would invite avoidance and, ultimately, render the CJEU's decision ineffective.[76] However, there is room for structuring a claim so as to circumvent the *Huawei v. ZTE* conduct requirements because the CJEU itself draws a distinction between, on the one hand, starting proceedings which only claim damages (or an account) but no injunction and, on the other hand, starting proceedings which include a claim for an injunction.[77] Although this distinction can, at least in English law, be a difficult one as a claim may be amended after issue (or even after trial) Birss J declares – somewhat reluctantly – to see no room for extending the *Huawei v. ZTE* conduct requirements tel quel to claims that do not aim at an injunction.[78]

The defendant found less support for its allegation that the claimant continued to seek injunctive relief even after the defendant declared its willingness to obtain a FRAND licence. According to Birss J, it is plainly correct that the claimant has maintained its claim for injunctive relief throughout the proceedings.[79] Furthermore, the wording used in the claim ("insofar as the claimant is and remains required to grant such licence") introduces a widely-stated contingency about the claimant's position, irrespective of the defendant's status as an (un)willing licensee.[80] Nonetheless, it is not accurate that the claim was maintained even after the

67 *Unwired Planet v Huawei*, paras. 638-648.
68 *Unwired Planet v Huawei*, para. 654.
69 *Unwired Planet v Huawei*, para. 656.
70 *Unwired Planet v Huawei*, paras. 657-665.
71 *Unwired Planet v Huawei*, para. 669.
72 *Unwired Planet v Huawei*, para. 670.
73 Cf. para. A.
74 *Unwired Planet v Huawei*, paras. 674-676.
75 *Unwired Planet v Huawei*, paras. 679-680.
76 *Unwired Planet v Huawei*, para. 681.
77 *Unwired Planet v Huawei*, para. 682.
78 *Unwired Planet v Huawei*, para. 682.
79 *Unwired Planet v Huawei*, para. 705.
80 *Unwired Planet v Huawei*, para. 683.

defendant made it clear that it was willing to enter into a FRAND licence.[81] The defendant agreed to obtain what it contended is a FRAND licence but never declared its unqualified willingness to licence at FRAND terms, whatever these terms may be.[82] In contrast, the claimant tried to insist on a worldwide licence but took into account the possibility that it may not be entitled to demand it, i.e. it maintained a fall-back position.[83] In consequence, the court described the claimant's action as being one for a prohibitory injunction, but not one in which the patentee has persisted in seeking such an injunction after the implementer has given an unqualified commitment to obtain whatever licence is FRAND.[84]

In order to determine whether the initiation of proceedings qualifies as abusive pursuant to Art. 102 TFEU, the court provides an overview of the *Huawei v. ZTE* judgment, in particular paras. 54-70, and applies it to the facts of the case.[85] In doing so, Birss J deduces the following principles from the CJEU judgment:[86]

> "i) In the judgment the CJEU has set out a scheme which both the patentee and implementer can be expected to follow in the context of a dispute about a patent declared essential to a standard and subject to a FRAND undertaking.
>
> ii) In stating that the implementer and patentee must express a willingness to conclude a licence on FRAND terms, the CJEU is referring to a willingness in general terms. The fact that concrete proposals are also required does not mean it is relevant to ask if those proposals are actually FRAND or not.
>
> iii) If the patentee complies with the scheme prior to starting a claim for infringement of that patent which includes a claim for an injunction, then bringing such a claim will not be abusive under Art. 102. That is the ratio of the CJEU's decision.
>
> iv) In the circumstances contemplated by the CJEU, bringing a claim for infringement of a SEP which includes a claim for an injunction without prior notice of any kind will necessarily be an abuse of dominant position. Insofar as the decision identifies what is abusive rather than what is not, the decision does not go further than that.
>
> v) Bringing a claim for infringement which includes a claim for an injunction even with sufficient notice is capable of being an abuse of dominant position. However, the judgment does not hold that if the circumstances diverge from the scheme set out in any way then a patentee will necessarily abuse their dominant position by starting such a claim. In those circumstances, the patentee's conduct may or may not be abusive. The scheme sets out standard of behaviour against which both parties behaviour can be measured to decide in all the circumstances if an abuse has taken place.
>
> vi) Nor does it follow that if the patentee complies with the scheme such that bringing the action is not *per se* abusive, the patentee can behave with impunity after issue. Again, the scheme sets out standards of behaviour against which both parties' behaviour can be measured to decide if an abuse has taken place.
>
> vii) If the patentee does abuse its dominant position in bringing the claim or in its conduct after issue, that affords a defence to the claim for an injunction. In other words the proper remedy is likely to be refusal of an injunction even though a patent has been found to be valid and infringed and the implementer has no licence.
>
> viii) The legal circumstances of this case differ from the circumstances assumed by the CJEU in a crucial respect. FRAND is justiciable and the undertaking can be effectively enforced at the suit of the defendant irrespective of Art. 102. The defendant does not need Art. 102 to have a defence to the injunction claim."

The court's answer to the question of whether the claimant committed an abuse by litigating prematurely starts from the findings that neither the claimant nor the defendant fully complied with their *Huawei v. ZTE* obligations and that the question of an abuse had to be decided by looking at all the circumstances.[87] In doing so, the court holds that the defendant had, at the time the litigation began, sufficient notice of the claimant's SEPs, of its willingness to license and of the need to obtain such a licence in case the SEPs were valid and essential.[88] Against this background, the defendant was supposed to understand that issuing proceedings including an injunction claim did not represent a refusal to license, but instead sought to support the conclusion thereof.[89] As regards the *Huawei v. ZTE* requirement to present the alleged infringer with a specific, written offer for a licence on FRAND terms, the court confirmed that the claimant had submitted the key terms of a licence offer, including the royalty rate, to the defendant. The fact that the information was provided only a few weeks after commencing the proceedings was not considered problematic, as this amounted to a relatively short time outside the letter of the CJEU scheme and the issuing of proceedings did not indicate that the claimant's unwillingness to license its SEPs.[90] The defendant's response to the specific offer is regarded as appropriate by the court as it requested further details,

81 *Unwired Planet v Huawei*, para. 705.

82 *Unwired Planet v Huawei*, paras. 706 et seq.

83 *Unwired Planet v Huawei*, para. 709.

84 *Unwired Planet v Huawei*, para. 712.

85 *Unwired Planet v Huawei*, paras. 713 et seq.

86 *Unwired Planet v Huawei*, para. 744.

87 *Unwired Planet v Huawei*, para. 747.

88 *Unwired Planet v Huawei*, paras. 748 et seq.

89 *Unwired Planet v Huawei*, para. 750.

90 *Unwired Planet v Huawei*, para. 753.

as well as the claimant's response in providing those details.[91] However, the defendant never subsequently made an unqualified offer to accept whatever were FRAND terms, but always reserved for itself the right to argue that a licence of worldwide scope was not FRAND.[92] In sum, the court rejected defendant's interpretation of *Huawei v. ZTE* that it had a defence to the claimant's injunction claim because it was sued before FRAND terms were offered, and affirmed that the commencement of the action by the claimant, including a claim for injunctive relief did not constitute an abuse of its dominant position.[93]

bb) Unfair excessive pricing – Art. 102 (a) TFEU. At the outset of the analysis on excessive pricing the court, referring to economic findings, clarified that there is a crucial difference between (non-) FRAND rates and unfair pricing in the sense that even if a rate is higher than FRAND it is not necessarily abusive under Art. 102 TFEU.[94] While the defendant claimed that all proposals made by the claimant exceeded FRAND and thus involved an attempt to impose an unfair selling price, the claimant deemed all its offers FRAND and stated that even if they were not, they were not abusive because: (1) they were made in the context of good faith negotiations, (2) they are not significantly higher than FRAND, and (3) there was no analysis of distortion of competition.[95] Birss J, firstly, rejected the defendant's allegation of a distortion of competition since no detailed economic analysis had been carried out.[96] Secondly, regarding the argument of good faith negotiations, the court found that as long as the recipient of the offer can see it is made in context of SEPs and FRAND, there will only be a violation of Art. 102 (a) TFEU if the offer is so far above FRAND as to disrupt or prejudice the negotiations in a manner that renders a process of convergence unlikely. This interpretation does not contradict *Huawei v. ZTE* because the abuse in that case is not the demand of a non-FRAND rate, but the premature bringing of injunctive patent infringement proceedings.[97] In a detailed analysis of the rates offered by the claimant and the defendant, the court concludes that these rates were several times higher (the claimant's offer) or lower (the defendant's offers) than the FRAND level.[98] This degree of deviation does not, however, strike the court as contravening Art. 102 TFEU because "an offer a number of times lower than the relevant FRAND benchmark does not prejudice the negotiations and corroborates the finding that an offer a number of times higher than the benchmark does not do so either."[99] Even though the court emphasized that imposing a rate multiple times higher or lower than the FRAND rate was generally unacceptable, it finally rejected the competition law case on unfair pricing because, in the present case, the offers were made in a negotiation process without prejudicing or disrupting it.[100]

cc) Bundling / tying in SEPS and non-SEPs. As to the accusation of bundling, the court rejects the claimant's argument that detailed economic evidence was needed in order to establish that the bundling of SEPs with non-SEPs could eliminate competition between non-SEP technologies in practice.[101] Even though it is clear to the court that a patentee subject to a FRAND undertaking cannot insist on a licence which bundles SEPs and non-SEPs, it is not contrary to competition law to make a first offer comprising both kinds of patents.[102] The mere fact that a licence includes both does not take it out of FRAND – given that parties do, in fact, conclude licences comprising SEPs *and* non-SEPs – nor does it indicate that a patentee has used the market power given by the SEPs to secure a licence under the non-SEPs.[103] In the present circumstances the court rejected the bundling argument with respect to the claimant's April 2014 offer, including SEPs and non-SEPs, because after a respective request by the defendant, the claimant separated out the non-SEPs in July 2015.

> "Those are not the actions of a party trying to use its market power given by patents essential to a standard to tie in a further licence under its non-SEP portfolio. If, however, claimant had insisted on putting the two together after that then the conclusion might have been different".[104]

3. Remedies

The claimant sought three remedies: (a) injunction; (b) damages; and (c) declarations that its offers were FRAND.

a) Injunction

Owing to the fact that the relevant patents have been found valid and infringed, that the claimant would like

91 *Unwired Planet v Huawei*, para. 754.
92 *Unwired Planet v Huawei*, para. 754.
93 *Unwired Planet v Huawei*, paras. 754-755.
94 *Unwired Planet v Huawei*, para. 757.
95 *Unwired Planet v Huawei*, paras. 758-759.
96 *Unwired Planet v Huawei*, para. 760.
97 *Unwired Planet v Huawei*, para. 765.
98 *Unwired Planet v Huawei*, paras. 773 et seq.
99 *Unwired Planet v Huawei*, para. 783.
100 *Unwired Planet v Huawei*, para. 784.
101 *Unwired Planet v Huawei*, paras. 785-786.
102 *Unwired Planet v Huawei*, para. 787.
103 *Unwired Planet v Huawei*, para. 787.
104 *Unwired Planet v Huawei*, paras. 789-790.

to enter into a worldwide FRAND licence and that it is entitled to insist on it, an injunction ought to be granted against the defendant. However, since the defendant did not engage with the terms ultimately proposed, Birss J, exercising his discretion, does not grant the injunction on the day the judgement is handed down in public but grants the parties additional time to conclude a licence in accordance with the conditions set by the court.[105]

b) Damages

Since the defendant refused to enter into a worldwide FRAND licence upon which the claimant was entitled to insist, the court had to assess the question of damages. According to the court, what the SEP owner lost is decisive, i.e. which amount of money the patentee would have earned in licensing if a willing licensor and a willing licensee had agreed on a FRAND licence.[106]

c) Declarations

The court made a formal declaration that the (worldwide) licence ultimately framed in the judgement is FRAND. If the defendant wished to, it would also be ready to declare that each of the original offers were not FRAND. The declaration sought by the defendant that the claimant had abused its dominant position is, however, refused.[107]

III. Concluding remarks

Undoubtedly, Birss J's decision in *Unwired Planet v Huawei* is of great importance, not only because of its pioneer role for the UK but also due to its multi-facetted, thorough approach. Some elements of this approach are likely to reverberate beyond the specific details addressed today, such as the balanced view on hold-up and hold-out which avoids blaming *either* patent owners or standard-implementers as the predefined "bad guys" in the SEP/FRAND arena. At the same time, not every line of the decision ought to be received as the one and only manual for how to deal with FRAND cases in the future. As the balance of this article can only sketch, some statements in the decision are problematic, some diverge from the positions adopted by other European (so far mainly German) courts, and – not only because of this divergence – some questions dealt with in *UWP v Huawei* may ultimately have to be decided by the CJEU.

1. Paving the contractual road to a FRAND licence

Certainly, one of the most important aspects – and an achievement – of this decision is the positive stance it takes on the contractual prong of SEP-licensing. Birss J makes it very clear that in order to receive a FRAND licence an implementer can rely not only on competition law but also on a contractual claim, following directly from the FRAND declaration which establishes a third-party beneficial contract. This is in line with the prominence of contractual mechanisms in the US case-law on SEP licensing[108] but it differs from the view of – at least some – German courts that denied a third-party beneficial contract based on FRAND declarations.[109]

Unwired Planet removes this roadblock and helps to attribute to contract law a greater role in the context of SEP/FRAND-licensing. This holds true all the more so because Birss J underlines that once the licensing contract has been concluded, it is this contract which should govern the relationship between the parties. It remains to be seen whether competition law really will have no say over an established SEP/FRAND-licence – what if the contract contains no-challenge clauses that conflict with EU competition law?[110] – and genuine patent law mechanisms[111] still remain largely unused. Nonetheless, the ordering of the SEP/FRAND world should, where possible, be a matter of patent and contract law, with competition law stepping in only where these prongs of the law fail.[112] In principal, although maybe not in their present shape, contract and patent law are, with their more specific and more detailed rules that do not depend on a finding of dominance, in a better position to do the fine-tuning. The historical development, i.e. the high degree of harmonization and effective enforcement in EU competition law, has shifted considerable importance and activity to this field, and competition law should not give up the role of a watchdog. However, the road embarked upon by this decision may permit the watchdog to remain in its kennel more often in the future. Such a development is unlikely to contradict the CJEU's position in *Huawei v. ZTE*, provided the overall level of enforcement against

105 *Unwired Planet v Huawei*, para. 794.

106 *Unwired Planet v Huawei*, paras. 796-800.

107 *Unwired Planet v Huawei*, paras. 803-804.

108 In re Innovation IP Ventures, LLC Patent Litigation, MDL Docket No. 2303 (N.D. Ill. 27 September 2013), paras. 3, 4.

109 LG Düsseldorf, 19 January 2016 – Case No. 4b O 120/14, para. 338; LG Düsseldorf, 19 January 2016 – Case No. 4b O 122/14, paras. 354 et seq.; LG Düsseldorf, 19 January 2016 – Case No. 4b O 123/14, para. 323; LG Düsseldorf, 24 April 2012 – Case No. 4b O 273/10.

110 Cf. Art. 5 Regulation (EU) No. 316/2014 on the application of Art. 101(3) TFEU to categories of technology transfer agreements.

111 On patent law-based approaches cf., for instance, *Hilty/Slowinski*, GRUR Int. 2015, 781; *Ullrich*, GRUR 2007, 817.

112 Cf. in greater detail *Picht*, GRUR Int. 2014 1 (5 et seq.).

unwanted SEP/FRAND-related practices (from the patentees' as well as the implementers' side) does not suffer from it. After all, concepts like good faith, recognized commercial practices, and reliance of implementers on the FRAND declaration which were employed by the CJEU in *Huawei v. ZTE*[113] have a strong contractual flavour.

To become a main trail towards resolving SEP/FRAND conflicts, however, the contractual road needs to be further paved by answering questions left unresolved by *Unwired Planet.* To what extent does, for instance, the third-party beneficial contract established by the FRAND declaration preordain – from a contractual, not a competition law perspective – the content of a subsequent licence contract concluded between the patentee and a specific implementer? Furthermore, the decision says nothing on the important issue of whether, from a contractual perspective, the patentee can select the market level (component producer, end product producer, vendor, etc.) at which it is ready to license its SEPs or whether the third-party beneficial contract resulting from the ETSI FRAND declaration prevents such level selection and entitles each and every standard-implementer to a licence if it wishes to take one. And does Birss J, by alluding to equity considerations, intend that English common law play the role of a corrective that may modify the outcome of a French law-based analysis of an ETSI FRAND declaration? The application of French law to contractual relations between ETSI and the patentees is, as a general rule, one plausible way of applying the EU rules on conflicts of laws.[114] A sweeping additional application of domestic principles such as equity or good faith may jeopardize the clarity of this concept and even create tension with EU law.

2. Presumed dominance and "qualified unFRANDliness" – the threshold for the application of competition law?

Laudable as the emphasis of *Unwired Planet* on the contractual prong of SEP/FRAND licensing is, it will probably meet with criticism in its determination of the threshold beyond which competition law steps in. In the court's view, there seem to be three points of reference: The "true" FRAND level of the licensing, a zone around this level in which licensing conditions and party conduct are not truly FRAND but competition law intervention is not yet triggered, and a zone where the deviation from FRAND becomes so severe that competition law ought to step in.[115] Such a concept has the advantage of leaving considerable scope for negotiation as parties may place their initial offers rather high and low respectively and then move towards each other without having to fear that, at each moment, one side may ask for competition law sanctions on the grounds of a FRAND violation. Whether, however, the concept complies with the CJEU's decision in *Huawei/ZTE* is less obvious as the CJEU has not clearly limited competition law intervention to particularly severe deviations from the FRAND concept. In German case-law, the question of whether the parties' initial offers may differ (slightly) from FRAND is so far answered differently, but there is a good chance that a negative answer will prevail.[116] And even the courts that favour greater leeway for the parties sound more restrictive than Birss J.[117] Moreover, they tend to look at the objective divergence between the content of the offered licence and the content of a FRAND licence. Birss, in contrast, seems to take an approach that focuses more on the negotiation process and the attitude of the parties when he asks whether a non-FRAND offer is likely to disrupt or prejudice *the negotiations* in a manner that renders a process of convergence unlikely. Be that as it may, for the interaction between contract, patent and competition law in SEP/FRAND matters it is evidently of vital importance whether competition law has to step back only where the other areas of the law do effectively sanction even limited FRAND violations and this may well be one of the questions on which the CJEU will have to rule in the future.

As regards market dominance as a prerequisite for the application of Art. 102 TFEU, the *Unwired Planet* decision is something like an outlier compared to the existing (post-) *Huawei v. ZTE* case-law. To begin with, the decision addresses market power at length while, so far, the majority of the case-law – including *Huawei v. ZTE* itself[118] – tended to leave the question undecided.[119] This is, as such, quite welcome as the European SEP/FRAND landscape could certainly use

113 CJEU, 16 July 2015, C-170/13 – *Huawei v. ZTE*, para. 65.

114 Cf. Art. 3 (1) Regulation (EC) No. 593/2008 on the law applicable to contractual obligations (Rome I), 2008 OJ L 177/6.

115 Cf., with a similar interpretation, *Contreras*, A New Perspective on FRAND Royalties: Unwired Planet v Huawei, Antitrust Source, 2017, forthcoming.

116 LG Mannheim, 29 January 2016 – Case No. 7 O 66/15, para. 58; LG Mannheim, 8 January 2016 – Case No. 7 O 96/14, paras. 75 et seq.

117 LG Mannheim, 29 January 2016 – Case No. 7 O 66/15, para. 58; LG Mannheim, 8 January 2016 – Case No. 7 O 96/14, paras. 75 et seq.

118 CJEU, 16 July 2015, C-170/13 – *Huawei v. ZTE*, para. 43.

119 LG Düsseldorf, 3 November 2015 – Case No. 4a O 93/14; LG Düsseldorf, 3 November 2015 – Case No. 4a O 144/14; LG Mannheim, 27 November 2015 – Case No. 2 O 106/14; LG Düsseldorf, 31 March 2016 – Case No. 4a O 73/14; LG Mannheim, 29 January 2016 – Case No 7 O 66/15.

more case-law on the topic.[120] Furthermore, *Unwired Planet* holds that the relevant market in which dominance needs to be determined, is constituted by the single SEP for which a licence is sought. This is arguably not in line with the prevailing opinion of German courts which focus rather on the market for products or services implementing the standard of which the SEP forms a part.[121] And last but not least, the decision takes up Advocate General Wathelet's suggestion of a rebuttable presumption of dominance based mainly on SEP ownership,[122] a proposal not much heeded in the post-*Huawei* case-law.[123] In spite of this lukewarm response, a presumption of dominance can help to avoid court battles over dominance and to focus the competition law part of SEP/FRAND disputes on the core issues, namely the conduct of the parties and the licensing conditions. If rebuttable, the presumption does not seem unfair towards the SEP holder, given that it was the patentee himself that stated the standard-essentiality of the patent, thereby implying the dependency of all implementers on its use.[124] But it squares badly with the concept of one market per SEP, as the patentee would always be a monopolist in this market – what are the odds for a monopolist to rebut the presumption of dominance? And, more importantly, the one market per SEP-concept is rather a hindrance than a help in focusing on the key market processes. These are, at first, competition between technologies (and the patents reading on them) for integration into the standard and, subsequently, competition between standard-based products and services for consumer acceptance. The *UWP v Huawei* court itself contends – convincingly – that a FRAND declaration tends to reduce the market power of the declarant as it removes competition for access to the standard and the SEP. An implementer no longer competes for the right to use the standard by way of its willingness to pay a higher price for the access than another implementer because competition law and the FRAND declaration assure this access anyway. The concept of a market consisting of a single SEP contradicts this fact and distorts a clear view on the relevant market structures by pretending that access to the SEP and the standard must be gained in a competitive market process. It is not merely happenstance that a substantial number of scholars do not support the one market per patent-concept either.[125]

3. Sequenced SEP enforcement and the reach of *Huawei v. ZTE* regarding infringement claims

One issue the court *did* consider from a competition law perspective was the sequencing of negotiation and litigation by the SEP holder. May, in particular, the patentee bring a lawsuit first and make a (FRAND-) licensing offer only afterwards? Does it matter whether the lawsuit was brought before the *Huawei v. ZTE* decision (so-called "transitional cases") as in that case the patentee could not know what the CJEU would require it to do before taking court action? These questions are intensely and controversially discussed in German case-law as well.[126] For transitional cases at least, flexible handling (as also applied in *Unwired Planet*) is useful because it can avoid the somewhat ineffective need to withdraw an action only to re-file it once the (alleged) patent infringement and a licensing offer have been communicated to the implementer.[127]

One strategy patentees pursue in order to be able to litigate and negotiate at the same time is the bringing of an action that initially asks only for damages and the rendering of accounts, but is afterwards extended to a claim for an injunction. Such stratagems raise the issue whether the *Huawei* conduct requirements – in particular the requirement to flag an infringement and offer a licence before filing suit – are strictly limited to claims for injunctions or whether they have at least some impact on contiguous claims as well. The court shows considerable sympathy for such an extension but sees no real way to implement it given the wording of

120 In many ways a laudable exception is the decision LG Düsseldorf, 19 January 2016 – Case No. 4b O 120/14, para. VII, 6, a.

121 LG Düsseldorf, 19 January 2016 – Case No. 4b O 120/14.

122 Opinion of Advocate General *Wathelet*, 20 November 2014, C-170/13 – *Huawei v. ZTE*, paras. 53 et seq.

123 LG Düsseldorf, 3 November 2015 – Case No. 4a O 93/14; LG Düsseldorf, 3 November 2015 – Case No. 4a O 144/14; LG Mannheim, 27 November 2015 – Case No. 2 O 106/14; LG Düsseldorf, 31 March 2016 – Case No. 4a O 73/14; LG Mannheim, 29 January 2016 – Case No 7 O 66/15.

124 In truth, this conclusion – and, for that matter, the entire concept of standard-essentiality as it usually employed by courts and discussants – is over-simplified as patents may read on parts of the standard that have to be used by some, but not all implementers. The producer of a base-station may, for instance, have to implement some parts of a standard that are of no interest to a handheld producer, while both have to implement certain core elements of the standard. In other words, some SEPs may be more essential than others. Cf. on this also LG Düsseldorf, 19 January 2016, 4b O 120/14 – *Unwired Planet/Samsung*, para. 345; LG Düsseldorf, 19 January 2016, 4b O 122/14 – *Unwired Planet/Samsung*, para. 362; LG Düsseldorf, 19 January 2016, 4b O 123/14 – *Unwired Planet/Samsung*, para. 331.

125 Cf. also *C. Koenig/A. Trias*, 32 E.I.P.R. 320, 325 f. (2010); *T. Weck*, NJOZ 2009, 1177 f.

126 LG Düsseldorf, 3 November 2015 – Case No. 4a O 93/14; LG Düsseldorf, 31 March 2016 – Case No. 4a O 73/14; OLG Düsseldorf, 9 May 2016 – Case No. I-15 U 36/16; LG Mannheim, 8 January 2016 – Case No. 7 O 96/14; OLG Karlsruhe, 31 May 2016 – Case No. 6 U 55/16.

127 LG Mannheim, 8 January 2016 – Case No. 7 O 96/14; OLG Karlsruhe, 31 May 2016 – Case No. 6 U 55/16; i.a. LG Düsseldorf, 31 March 2016 – Case No. 4a O 73/14 to which Birss J himself references.

Huawei v. ZTE. At least, Birss J formulates the caveat that "it [does not] follow that if the patentee complies with the scheme such that bringing the action is not per se abusive, the patentee can behave with impunity after issue". This caveat may serve to check, inter alia, inadequate litigation strategies at the intersection of claims for damages and subsequent claims for injunctions. Although some German courts concur with the very limited reach of *Huawei*,[128] other decisions seem to see more flexibility.[129] As claims for damages can put severe pressure on implementers to agree to a patentee's licensing offers, in particular if the implementer has to fear that the claim for an injunction may later be added to the damages litigation, it appears, in fact, questionable whether EU competition law – or, for that matter, the principles of good faith and recognized commercial practices underlying contractual solutions – should strictly limit the reach of *Huawei v. ZTE* to injunctions.

The *Unwired Planet* decision addresses another form of litigation conduct by emphasizing that a claim for an injunction can be more acceptable if the patentee states clearly that the injunction is sought only if the implementer remains unwilling to obtain a FRAND licence. If these passages of the decision were meant to introduce the concept of a "conditional injunction" that can always be pursued in court, parallel to fulfilment of the *Huawei v. ZTE* conduct requirements, it would be a novelty in the post-*Huawei* case-law.

4. FRAND determination

The *Unwired Planet* decision contributes significantly to the quest for principles that permit the determination of FRAND licensing conditions in specific cases. The present summary cannot go into details but lists only a couple of key aspects:

- We must respectfully disagree with Birss J's opinion that there is only one, "true" set of FRAND conditions. Instead, FRAND is a *range* which can encompass a number of different sets of licensing conditions.[130, 131] As a licence can, and oftentimes does, consist of more components than just a royalty rate (e.g. calculation basis, cross-licensing, duration, distribution of the risk of uncertain business developments, etc.) and as the economic meaning of the licensing relationship for both parties depends on the interplay of all of these conditions, a similar economic outcome can be achieved by various sets of conditions. Comparables – to which Birss J does attribute much relevance – corroborate this point because their licensing conditions are not uniform but vary within certain boundaries. The choice between these sets forms an important component of the parties' freedom to negotiate. It comes as a surprise that a decision otherwise so considerate of creating room for negotiations takes such a rigid position here.[132] The problem of who gets to choose between two offers which are *both* FRAND – the patentee because, after all, a patent grants the right to decide whether and how the invention is used; or a court or arbitration tribunal because a unilateral right to choose may re-increase hold-up and hold-out risks? – must and can be solved otherwise than by introducing (the fiction of) a single, "true" FRAND licence. The decision indicates that "FRAND" has not only a content component but also a process component which focusses on the negotiation conduct of the parties. Leaving aside labelling considerations, this comprehensive view is convincing. The CJEU also accords considerable weight to the parties' conduct beyond the mere content of their offers, although it does not explicitly label this part of its requirements as "FRAND".
- *Unwired Planet* further corroborates the tendency in post-*Huawei* case-law[133] that worldwide SEP-portfolio licences are FRAND-compliant.
- It remains to be seen, however, whether the court's indications that patentees may even (initially) require the licensing of portfolios combining SEPs and non-SEPs without violating EC competition law[134] will be accepted by European competition law courts and enforcers. The mere fact that bundled portfolios are actually licensed in the market does, in any case, not shield such offers from competition law.

128 LG Mannheim, 29 January 2016 – Case No. 7 O 66/15; LG Mannheim, 8 January 2016 – Case No. 7 O 96/14; LG Mannheim, 1 July 2016 – Case No. 7 O 209/15.

129 LG Düsseldorf, 19 January 2016 – Case No. 4b O 120/14.

130 Hesitant also ("not wholly convinced") *Contreras*, A New Perspective on FRAND Royalties: Unwired Planet v Huawei, Antitrust Source, 2017, forthcoming.

131 LG Düsseldorf, 31 March 2016 – Case No. 4a O 73/14; LG Düsseldorf, 31 March 2016 – Case No. 4a O 126/14.

132 Besides, it seems a bit contradictory that the decision insists on the need to precisely determine the one, „true" FRAND rate while also stating that "the fact that concrete [licence] proposals are also required does not mean it is relevant to ask if those proposals are actually FRAND or not"; *Unwired Planet v Huawei*, para. 744.

133 LG Düsseldorf, 31 March 2016 – Case No. 4a O 73/14; LG Düsseldorf, 31 March 2016 – Case No. 4a O 126/14; LG Mannheim, 27 November 2015 – Case No. 2 O 106/14; LG Mannheim, 8 January 2016 – Case No. 7 O 96/14.

134 Cf. LG Düsseldorf, 31 March 2016, 4a O 73/14 – *Saint Lawrence/Vodafone*, para. 228; LG Düsseldorf, 31 March2016, 4a O 126/14 – *Saint Lawrence/Vodafone*, para. 222.

- Licences previously concluded in the market (comparables) are amply discussed but the relevance of particular comparables (or non-comparables) is also critically scrutinized. The reluctance of the court to consider comparables stemming from arbitration runs somewhat contrary to the important role that Alternative Dispute Resolution is intended[135] to play in the future European SEP/FRAND landscape. It may, in future cases, be overcome by revealing to the respective state court the arbitration tribunal's reasoning underlying the award. When defining – as the decision does – specific royalty rates for particular regions (e.g. China), courts should be careful to avoid unjustified multiple discounts. If, for instance, a worldwide royalty rate already includes a discount for regions that are covered only by a relatively weak portfolio of the patentee, a specific, further discount rate for these regions may end up in too much of a rebate.
- It is noteworthy but not self-evident that the court favours a calculation of damages based on the revenues from a hypothetical licence at FRAND level. Part of the German case-law has, so far, taken a different position by limiting damages to FRAND level only for the period of time after the patentee's failure to comply with the *Huawei v. ZTE* requirements while allowing for the skimming of the implementer's/infringer's profits for the period of time during which the patentee was in compliance with *Huawei v. ZTE*.[136]

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135 CJEU, 16 July 2015, C-170/13 – *Huawei v. ZTE*, para. 68; cf. also Art. 35 UPCA regarding the creation of a UPC Centre for Mediation and Arbitration.

136 LG Düsseldorf, 19 January 2016, 4b O 120/14 – *Unwired Planet/Samsung*; LG Düsseldorf, 19 January 2016, 4b O 122/14 – *Unwired Planet/Samsung*; LG Düsseldorf, 19 January 2016, 4b O 123/14 – *Unwired Planet/Samsung*.